



OFFICE OF
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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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MEMORANDUM FOR DIRECTOR, OFFICE OF FIELD PROGRAMS

FROM:

Kathryn A. Zuba
Kathryn A. Zuba,
Chief, Branch 2
(General Litigation)

SUBJECT:

Section 3467 of the IRS Restructuring and Reform Act (RRA)
of 1998

By memorandum dated August 6, 1998, you requested our views regarding the scope of RRA § 3467, Guaranteed Availability of Installment Agreements, as it relates to individual taxpayers with income tax liabilities of less than \$10,000.00 who have other tax liabilities that do not arise under subtitle A (income tax) of the Internal Revenue Code. Specifically, you have asked whether section 3467 requires the Service to accept installment agreements from taxpayers who meet the section 3467 criteria, but who have unpaid liabilities other than income tax liability.

Section 3467 requires the Service to accept installment agreements from individual taxpayers with income tax liabilities of \$10,000.00 or less (exclusive of penalties and interest), where the taxpayer has not failed to file any income tax return or pay any tax shown on an income tax return or entered into an installment agreement for payment of any income tax shown on such returns in the 5 preceding tax years. In addition, section 3467 requires the Secretary to determine that the taxpayer is financially unable to pay the tax when due, that the installment agreement full pay the tax liability within three years, and that the taxpayer remain in compliance for the period that the installment agreement is in effect.

The new guaranteed installment agreement provision does not require that income tax liability be the only outstanding liability of the taxpayer, before the taxpayer has a legal right to such an agreement. Under section 3467, a taxpayer with an \$8,000.00 income tax liability who meets the other section 3467 criteria would be entitled to an

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installment agreement for the income tax portion of his/her liability, if such an agreement was requested. The fact that the taxpayer may have a \$100,000.00 excise tax liability is not a factor in determining eligibility under section 3467. It is unlikely that this is the result intended by Congress, since this provision has the potential to create two liabilities for purposes of collection - a liability being resolved through a payment agreement and liabilities that will continue to be subject to enforced collection. We doubt that Congress envisioned continuing collection action against any taxpayer with an installment agreement, but the specific language of the statute does not preclude this possibility.

The likelihood that taxpayers with small dollar income tax liabilities, who have other types of unpaid tax that will continue to be subject to enforced collection, will seek an installment agreement to satisfy only the income tax liability is probably small. Most taxpayers want to resolve the entirety of their tax obligations and will not be interested in a piecemeal approach. However, there may be some taxpayers who want to avail themselves of this limited option. [REDACTED]

DP

[REDACTED]

If you have questions or need additional information, please contact me or Carol A. Campbell of my staff at 622-3620.